

## Recording General Fixed Assets

The following guidance is included for the benefit of those LEAs that have not yet implemented the new governmental reporting model established by GASB 34. In the new reporting model, the General Fixed Asset Account Group is eliminated. Instead, capital assets are reported in the government-wide statement of net assets, and a schedule of capital assets is included in the notes to the financial statements.

Generally accepted accounting principles require that the fixed assets of a governmental agency that are not reported in a proprietary fund or a trust fund be reported in a general fixed assets account group. It should be emphasized that the general fixed assets account group is an “account group” rather than a “fund.” In essence, the general fixed assets account group is a management control and accountability listing of the LEA’s general fixed assets. However, when the LEA implements Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, fixed assets will no longer be reported in an account group, but rather as capital assets in the statement of net assets as part of the LEA’s government-wide financial statements. GASB 34 becomes effective in three phases based on the LEA’s total annual revenues. The largest LEAs must implement first for the 2001-02 fiscal year. For more information please see the CDE Web site at <http://www.cde.ca.gov/fiscal/financial/financial.htm>

General fixed assets do not represent financial resources available for expenditure, but rather items for which financial resources have been used and for which accountability should be maintained. The primary purpose of fund accounting is to reflect the LEA’s revenues and expenditures (the sources and uses of its financial resources), assets, related liabilities, and net financial resources available for subsequent appropriation and expenditure of specific funds. These objectives can be readily achieved by excluding general fixed assets from individual fund accounts and by recording acquisitions and disposals in a separate general fixed assets account group.

A general fixed assets account group provides a master control of investments in fixed assets. The accounting must be adjusted periodically, at least at the end of each fiscal year, to reflect new purchases and additions or disposals of old or obsolete items. They are a complete group of accounts within themselves. The asset accounts are debited for additions and credited for reductions. These increases and decreases in the accounts are

the direct result of transactions involving additions, replacements, and other dispositions of fixed assets.

The four major classes of asset accounts are Land, Improvement of Sites, Buildings, and Equipment. These classes are the same as the Capital Outlay expenditures, account 6000, discussed in Procedure No. 801. The offsetting entry or balancing account is titled “Investment in Fixed Assets.” These accounts may be divided into subclasses to fit the needs of individual LEAs.

## Original Entries in the General Fixed Assets Account Group

The opening amounts for Land, Improvement of Sites, Buildings, and Equipment may be at actual costs, appraisal costs, estimated costs, or any combination of these as of the dates of acquisition. The following journal entry shows an original entry based on appropriate valuations.

<i>Account</i>	<i>Debit</i>	<i>Credit</i>
<b>9410 Land</b>	<b>\$ 750,000</b>	
<b>9420 Improvement of Sites</b>	<b>150,000</b>	
<b>9430 Buildings</b>	<b>4,750,000</b>	
<b>9440 Equipment</b>	<b>350,000</b>	
<b>9690 Investment in Fixed Assets (Account 9990 in SACS)</b>		<b>\$6,000,000</b>
<b>To record the investment in fixed assets</b>		

After the opening entries are made, subsequent fixed asset accounting activity is primarily related to the activity in all funds of the district. However, other activity not occurring within funds may also require adjustment of fixed assets; e.g., exchange or disposal of obsolete items.

## Disposal of Equipment

Equipment may be disposed of through trade-in or sales. In the fixed assets account group, the old asset is removed at its recorded value. The new asset is recorded at cost.

## Reconciliation of Fixed Assets Accounts

Generally, entries for fixed assets accounts are tied to activity in the 6000 object series of accounts in various funds and are posted on a periodic basis. The following examples illustrate the interrelationship between a fund and the fixed assets group:

Equipment purchased in the General Fund—School bus \$85,000; tractor \$6,000

### Appropriation Ledger—Transaction Posting

<i>Account</i>		<i>Expenditure</i>
6400	Equipment (bus)	\$ 85,000
6400	Equipment (tractor)	\$ 6,000
Total 6400		\$ 91,000

### Fixed Assets Account Group—Summarized Periodic Posting

<i>Account</i>		<i>Debit</i>	<i>Credit</i>
9440	Equipment	\$91,000	
9690	Investment in Fixed Assets (Account 9990 in SACS)		\$91,000

A subsidiary ledger may be desirable to break out sites, categories of equipment, or other, more detailed descriptions of fixed assets. If a subsidiary ledger is used, the fixed asset group of accounts become control accounts, and subsidiary accounts are also posted.

